

**VERMONT PENSION INVESTMENT COMMITTEE**  
**November 26, 2013**

**VPIC Members Present:**

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014

**VPIC Member(s) Absent:**

None

**VPIC Alternate Members Present:**

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2017

**VPIC Alternate Member(s) Absent:**

STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2014

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016

**Also attending:**

Stephen Wisloski, Vermont State Deputy Treasurer

Matt Considine, CFA, Director of Investments

Katie Green, Investments Manager

Bill Griffin, Attorney General's Office

Richard M. Charlton, Chris Levell and Doug Moseley, NEPC LLC

Matthew Dow, BERS

Jeff Briggs, VSERS Board member

Monica Chiren, Clerk

**CALL TO ORDER:**

The Chair, Mr. Rauh, called the Thursday, November 26, 2013 meeting to order at 8:30 a.m., which was held in the 4<sup>th</sup> Floor Conference Room, 109 State Street, Montpelier, VT.

**ITEM 1:      **Agenda Approval, Announcements, Minutes of October 24, 2013  
Regular Meeting****

The Chair, Mr. Rauh, welcomed Matthew Dow from BERS and indicated that Tom Golonka was now the VMERS Representative and Steve Jeffrey was the VMERS Alternate. The Chair, Mr. Rauh, briefly reviewed the agenda. The agenda was approved

as written. Mr. Considine indicated he would like to attend the NEPC conference in Arizona which he indicated Ms. Pearce would mention in her report.

**On a motion by Mr. Hooper, seconded by Mr. Mackey, the Committee unanimously approved the minutes of the October 24, 2013, Regular Meeting, as submitted.**

**ITEM 2: Director of Investments Report and Action Items**

- **Contract Updates, Amendments and Renewals**
- **Impact of Negative Cash Flow on Portfolio Performance**
- **Discuss/Approve VPIC Investment Policy Statement**
- **Discuss/Approve Revised ETI Policy**
- **Review October Flash Report**

Mr. Considine indicated as of October 31, 2013 the total VPIC assets under management were \$3.833 billion. Mr. Considine indicated as of October 31st the VPIC's portfolio allocation is 33.4% equities, 32.77% fixed income, 13.6% alternatives and 20.3% multi-strategy, compared to target allocations of 31.5%, 33%, 15.5% and 20% respectively. Mr. Considine indicated that the overweight in private equities reflects capital that has yet to be called.

(Ms. Pearce entered the meeting at this time.)

Mr. Considine provided the Committee members with the manager updates indicating the restructuring of the team for Mondrian, the outcome of their meeting with Mellon and attending the 2013 annual staff meeting for HarbourVest. Mr. Considine indicated the contract with Guggenheim became effective November 1, 2013. Mr. Considine advised the Committee there was one contract clarification that was necessary to permit the crossing of positions from other portfolios. Mr. Considine indicated the proposed language would be provided later in the meeting.

Mr. Considine discussed with the Committee the Twitter item from his Director's Report. The Committee reviewed the effect of cash flow on the portfolio performance. Mr. Considine and NEPC responded to the questions posed by the Committee members.

The Chair, Mr. Rauh, indicated this was the final version of the VPIC Investment Policy Statement having all the suggested changes incorporated into it.

**On a motion by Mr. Mackey, seconded by Ms. Pearce, the Committee unanimously approved the VPIC Investment Policy as presented.**

The Chair, Mr. Rauh, indicated at the last meeting after reviewing the ESG (Environmental, Social and Governance) Policy it was decided to update the ESG Policy to include the ETI (Economically Targeted Investment) Policy.

**On a motion by Mr. Mackey, seconded by Mr. Hooper, the Committee unanimously approved the ESG Policy as written and agreed to rescind the old ETI Policy.**

Mr. Considine reviewed with the Committee the amendment to the Guggenheim contract. Mr. Considine responded to the questions posed by the Committee members.

**On a motion by Mr. Johannesen, seconded by Mr. Hooper, the Committee unanimously approved the amendment to the Guggenheim contract and authorized the Chair to sign the amendment to the contract.**

It was decided the October Flash Report would be discussed during the third quarter review.

**ITEM 3:      Discussion Items/Updates**

- **Vermont State Treasurer's Update**
- **NEPC Investment Manager Watch List: Wellington EMD**

Ms. Pearce reiterated that Mr. Golonka is now the VMERS Representative for VPIC and that Mr. Jeffrey is the VMERS Alternate for VPIC. Ms. Pearce briefly touched on issues that would be coming up at the legislature this session. Ms. Pearce requested that the Committee approve Mr. Considine's attendance at the NEPC Conference in Arizona January 27<sup>th</sup> and 28<sup>th</sup>.

**On a motion by Ms. Pearce, seconded by Mr. Altemus, the Committee unanimously approved Mr. Considine's attendance at the NEPC Conference in Arizona.**

Ms. Pearce reviewed with the Committee that VPIC does not have a budget, but indicated with regard to travel expenses disbursements there is an allocation methodology used for the three systems.

Mr. Moseley indicated Wellington was still on the watch list due to recent personnel changes with the EMD fund, but indicated they were not recommending any changes at this time.

**ITEM 4:      Review Real Estate Manager RFP Results and Recommendations**

Mr. Moseley reviewed with the Committee the *Real Estate Search Preliminary Discussion* document. Mr. Moseley reviewed with the Committee the results of their search and NEPC's recommendation. NEPC responded to the questions posed by the Committee. It was decided by the Committee that NEPC would focus their search on debt and multi-manager funds and present possible candidates at the December VPIC meeting, with interviews possibly being held in January.

(Mr. Griffin left the meeting at this time.)

**ITEM 5: Q3 Portfolio and Investment Manager Performance Review**

NEPC presented the Q3 report. There was a discussion concerning the strategy of the VPIC portfolio and the rates of returns. NEPC reviewed the October Flash Report and reviewed with the Committee the manager returns. It was indicated stress tests would be conducted and presented to the Committee.

(A luncheon recess was taken from 12:20 p.m. to 12:40 p.m.)

**ITEM 6: Economic and Financial Market Dashboard**

Ms. Green reviewed with the Committee the economic and financial market dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard. Ms. Green reviewed with the Committee the charts on the economic and financial market dashboard.

Mr. Considine reviewed with the Committee the Up/Down Analysis of the VPIC portfolio. Mr. Considine responded to the questions posed by the Committee members.

**ITEM 7: Public Comment/New or Other Business**

None.

**ITEM 8: Adjournment**

**On a motion by Ms. Pearce, seconded by Mr. Mackey, the Committee unanimously approved to adjourn the meeting at 1:07 p.m.**

Respectfully submitted,

Monica Chiren, Clerk